



Canadian Manoir
INDUSTRIES LIMITED

Annual Report 1973

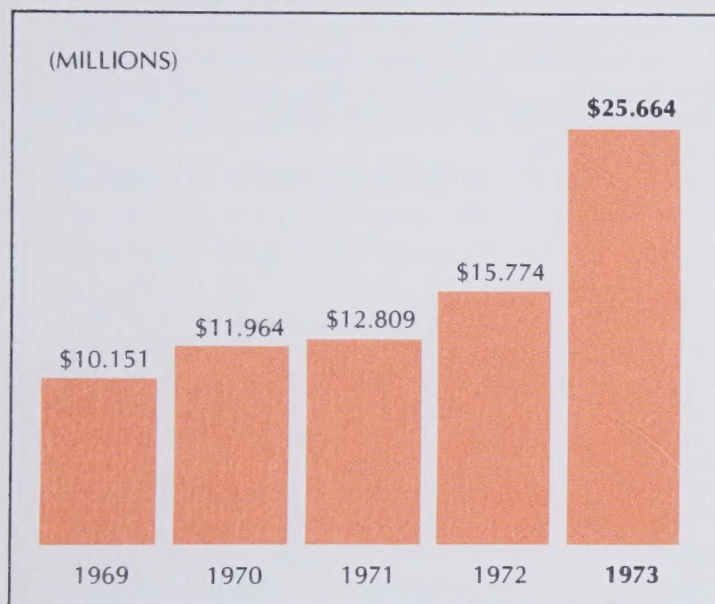
Five-year statistical review

	1969	1970	1971	1972	1973
Revenue	\$10,150,584	\$11,964,205	\$12,808,707	\$15,774,390	\$25,664,024
Net Income	647,784	747,907	819,125	966,768	1,549,007
Earnings Per Share	38¢	45¢	50¢	59¢	94¢
Total Assets	4,388,035	5,627,803	5,941,200	6,242,129	12,675,328
Working Capital	1,687,757	1,927,798	2,452,439	2,833,820	3,792,839
Tangible Equity Per Share	1.20	1.67	1.74	2.33	2.74

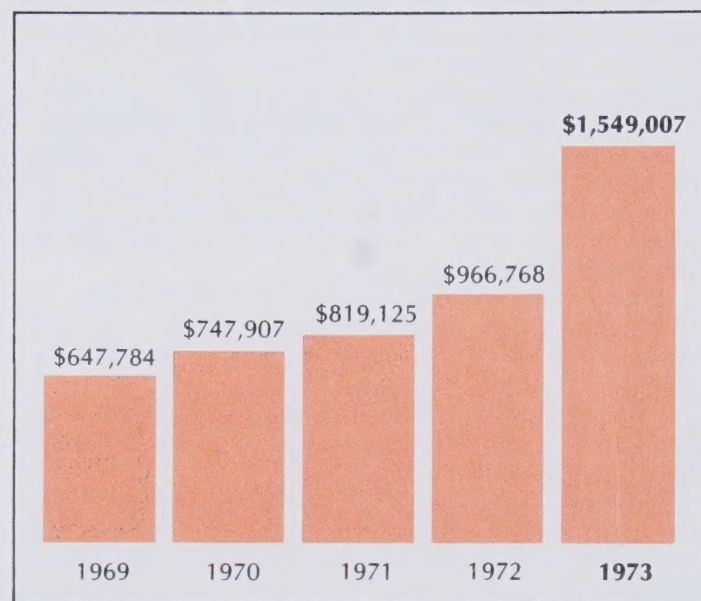
Highlights

	UP	FROM	TO
Revenue	62.7%	\$15,774,390	\$25,664,024
Net Income	60.2%	966,768	1,549,007
Working Capital	33.8%	2,833,820	3,792,839
Earnings Per Share	59.3%	59¢	94¢
Tangible Equity Per Share	17.6%	2.33	2.74

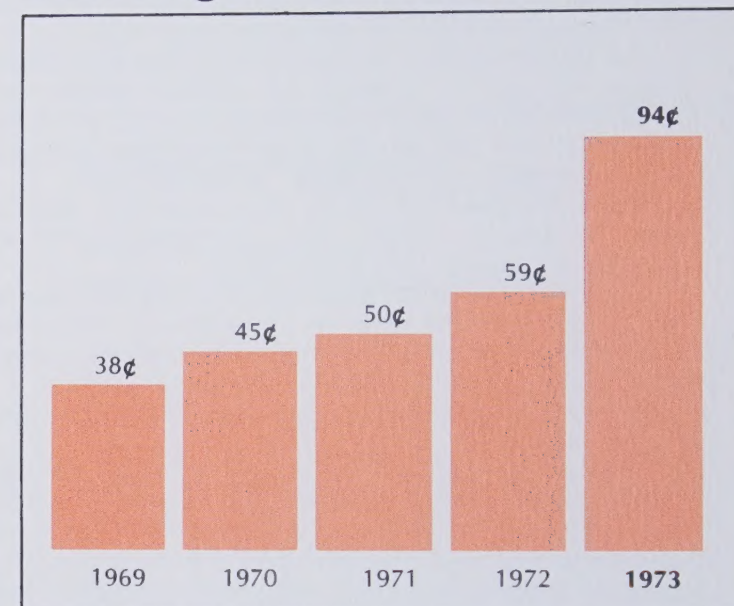
Revenue



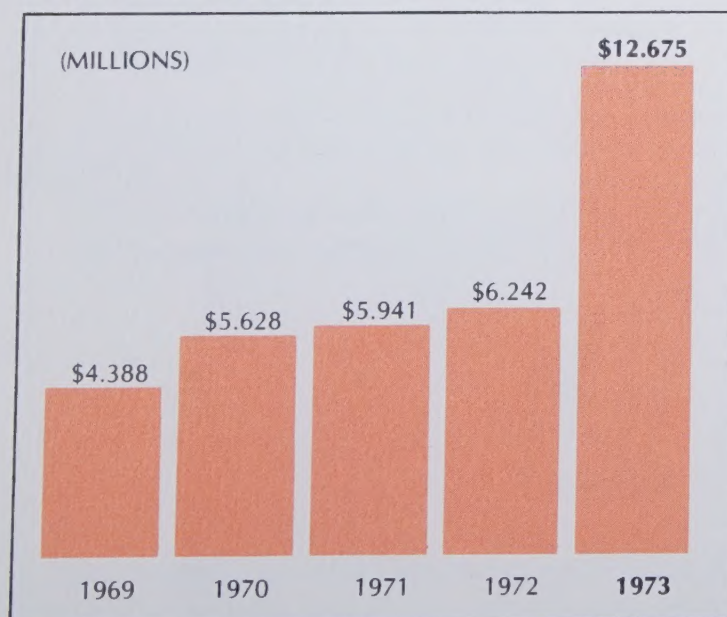
Net Income



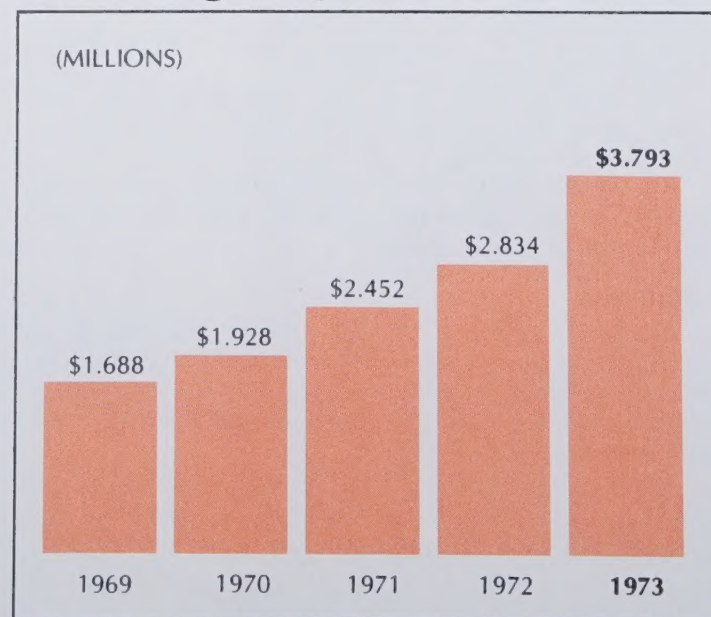
Earnings Per Share



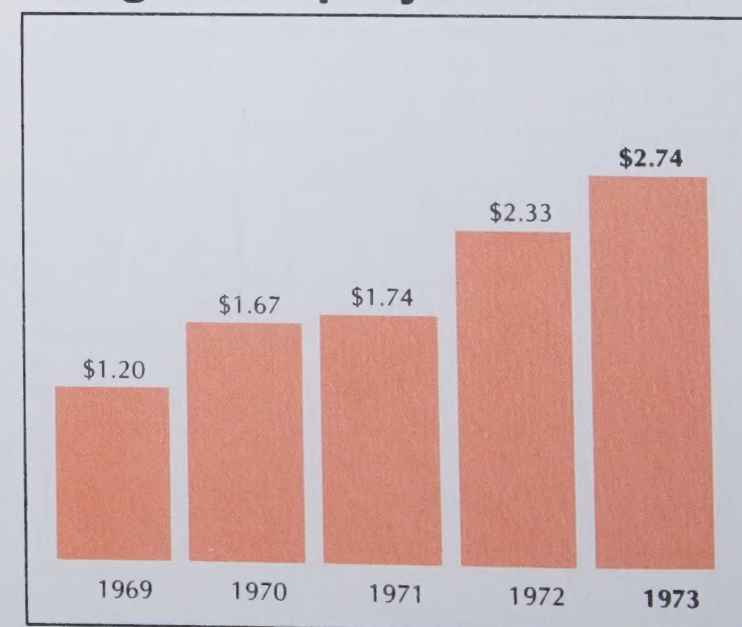
Total Assets



Working Capital



Tangible Equity Per Share



President's letter

As is shown in the accompanying financial statements 1973 was another excellent year for our Group and exceeded our own expectations.

Our Group attained record levels of revenue and net income for the fifth consecutive year. All subsidiaries and divisions made positive contributions. A brief summary of the highlights is shown on the inside front cover.

It is significant to note that of the almost ten million dollar increase in revenue, six million dollars was accounted for by operations owned in 1972 while the remaining four million came from operations acquired during the year.

Internally generated funds maintained their healthy rate of growth. Funds flow increased 52.7% to \$1,848,047 from \$1,210,134 in 1972.

Despite the cost of acquisitions during the year of \$3,119,474 partially offset by an increase in long-term debt of \$1,248,000, working capital showed an increase of 33.8% to \$3,792,839 from \$2,833,820 in 1972.

Return on Shareholders' Equity was 37.1% as against 26.9% in 1972.

The net income as a percentage of dollar revenue showed a marginal decline to 6.0%. In view of rapidly escalating costs and the changing mix of our revenue, we are pleased to have been able to attain this rate of return.

These are a few indicators of the financial health of our Group and is an excellent foundation for future growth.

1973 has been a rewarding year. It was a year of rapid inflation coupled with a shortage economy and we are pleased that our managers have been able to cope with and adapt to the varied problems we faced in 1973.

In connection with acquisitions I would like to state your management's position on 'purchased goodwill'. We believe that purchased goodwill has no relevance to the present or future determination of the financial position of the acquired entity. We believe that acquired goodwill becomes merged with the overall goodwill of our Group on completion of the transaction. The overall value of our Group's goodwill is an unknown quantity, but even if it could be determined, we would not be allowed to report it in the Company's Consolidated Financial Statements, as doing so would be contrary to generally accepted accounting principles'. As a result of our specific belief that acquired goodwill does not have a continuing, separate, or indeed reasonable existence after completion of an acquisition and consistent with past practice, the goodwill acquired in connection with both Duo-Matic and Olsen has been written-off to Retained Earnings.

Our operations are divisible into three distinct and recognizable categories, manufacturing, trading and service, and a brief outline of each is given below.

MANUFACTURING

A full line of chest and upright freezers is manufactured by our subsidiary, General Freezer Limited, at Woodbridge. These freezers are marketed across the country through, amongst others, appliance dealers and chain stores. In particular, we have excellent distribution in the "junior chains" which we believe to be the most rapidly growing segment of the retail merchandising sector.

1973 was a record year for General Freezer in spite of increasing costs and disruption of production due to material delays and shortages.

We are confident that with the continuing increase in food prices and the greater amount of convenience foods being bought, the demand for freezers will continue to rise.

It is expected that material shortages will be with us for some time yet but we anticipate that 1974 will be another record year for General Freezer.

During the year we acquired Olsen Manufacturing Company Ltd. which is located at Tilbury, Ontario and Duo-Matic of Canada which is based at Waterford, Ontario. These companies manufacture a broad line of residential and industrial oil, gas and electric furnaces. In addition, Olsen is the sole distributor in Canada for the Johnson Corp. heating and cooling products.

Two products we have high hopes for in 1974 are electric furnaces and combination heating and air-conditioning units now being installed in a major residential complex in Mississauga.

The same points regarding increasing costs and shortages as made in relation to General Freezer apply to the furnace companies.

We are delighted with the contribution made by these companies during the later part of 1973 and look forward to even better results in 1974.

TRADING

The main areas of trading are the importation of refrigeration compressors from Italy by Manoir International and Manoir International, Inc. and the importation of a broad line of giftware and novelties from all over the world by Maso Import Ltd.

The compressor business has been an especially trying one this year, due to the demand far exceeding the supply, rapidly escalating prices, and currency exchange

problems. Due to the lack of supply we have had to put our customers on allocation. In spite of this, compressor sales doubled compared to 1972. In 1974 growth will be limited by availability, however, on the basis of our allocation from the Italian manufacturer, 1974 will be another record year for the compressor operation.

1973 was a record year for Maso in spite of it being a year of investment for the future growth of the company. Maso expanded its facilities in Vancouver and Toronto and also hired new personnel to manage and guide the planned expansion.

We confidently foresee for this company a year of substantial growth in 1974.

SERVICE

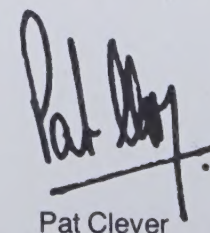
This group is active in two areas, the larger being television film services and the smaller a sound recording studio. Our television operation has offices in Toronto, Montreal, Vancouver, New York, Chicago and Los Angeles and all are engaged in rendering services in connection with television commercials to advertising agencies and national advertisers.

1973 was budgeted for a reduction compared to 1972 and that is the way it turned out. This was due in large degree to the imbalance between supply and demand as advertisers found it unnecessary and indeed embarrassing to advertise products that they could not supply. We expect this tendency to continue and we look for an unchanged level of activity in 1974.

Our sound recording facilities in Toronto are among the most sophisticated and technologically advanced in North America. After only achieving marginal results in 1972, 1973 showed substantial improvement and this is expected to be carried forward into 1974.

The brief review of our operations makes it clear that for 1974 we are again forecasting record levels of revenue and net income.

We shall continue to seek out acquisitions to further enhance the future of our Company.



Pat Clever

Consolidated Statement of Income

For the year ended December 31, 1973
(with comparative figures for the preceding year)

	1973	1972
REVENUE FROM SALES AND SERVICES (Note 7)	\$25,664,024	\$15,774,390
COST OF SALES AND SERVICES	19,579,461	11,467,196
Gross profit	\$ 6,084,563	\$ 4,307,194
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	3,198,100	2,453,954
Income before provision for income taxes (Note 8)	\$ 2,886,463	\$ 1,853,240
PROVISION FOR INCOME TAXES (Note 1)	1,337,456	886,472
Net income for the year	\$ 1,549,007	\$ 966,768
 EARNINGS PER SHARE (Note 1)	 94¢	 59¢

The accompanying notes to consolidated financial statements are an integral part of this statement.

Auditors' Report

To the Shareholders of
Canadian Manoir Industries Limited:

We have examined the consolidated balance sheet of CANADIAN MANOIR INDUSTRIES LIMITED (a Canada corporation) AND SUBSIDIARIES as of December 31, 1973, and the related consolidated statements of income, retained earnings, contributed surplus and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have previously examined and reported on the consolidated financial statements for the preceding year.

In our opinion, the accompanying consolidated financial statements present fairly the financial position of Canadian Manoir Industries Limited and Subsidiaries as of December 31, 1973, and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Signed: ARTHUR ANDERSEN & CO.
CHARTERED ACCOUNTANTS

Toronto, Ontario
February 13, 1974.

Consolidated Balance Sheet

December 31, 1973

(with comparative figures for the preceding year)

Assets

CURRENT ASSETS:

	1973	1972
Cash and deposit receipts	\$ 515,852	\$ 573,135
Accounts receivable (Note 3)	4,049,633	2,067,735
Inventories, at the lower of cost or market (Note 3)	5,617,023	2,019,943
Prepaid expenses	92,788	234,962
Total current assets	<u>\$10,275,296</u>	<u>\$4,895,775</u>

PROPERTY, PLANT AND EQUIPMENT, at cost

(Notes 3 and 4):

Land	\$ 90,745	\$ 26,593
Buildings	1,605,489	588,516
Equipment	2,292,538	1,414,765
Leasehold improvements	337,608	333,403
	<u>\$ 4,326,380</u>	<u>\$2,363,277</u>
Less—Accumulated depreciation and amortization (Note 1)	1,926,348	1,016,923
	<u>\$ 2,400,032</u>	<u>\$1,346,354</u>

\$12,675,328

\$6,242,129

Approved on behalf of the Board:

(Signed) Pat Clever, Director

(Signed) D. L. Sinclair, Director

Liabilities

CURRENT LIABILITIES:

	1973	1972
Bank advances (Note 3)	\$ 532,694	\$ 109,946
Accounts payable and accrued liabilities	4,738,730	1,606,518
Income taxes (Note 1)	582,868	177,508
Estimated liability for warranties	204,165	87,983
Current portion of long-term debt (Note 4)	424,000	80,000
Total current liabilities	<u>\$ 6,482,457</u>	<u>\$2,061,955</u>

LONG-TERM DEBT, less current portion included above (Notes 3 and 4)

<u>\$ 1,576,000</u>	<u>\$ 240,000</u>
---------------------	-------------------

DEFERRED INCOME TAXES (Note 1)

<u>\$ 98,209</u>	<u>\$ 110,697</u>
------------------	-------------------

Shareholders' Equity:

Capital stock (Note 5)—		
Authorized—3,000,000 common shares, par value \$1.00 each		
Issued—1,651,480 (1,641,760 in 1972) shares	\$ 1,651,480	\$1,641,760
Capital surplus, arising from redemption of preferred shares (Note 5)	—	103,550
Contributed surplus, per accompanying statement	80,924	68,774
Retained earnings, per accompanying statement	2,786,258	2,015,393
	<u>\$ 4,518,662</u>	<u>\$3,829,477</u>
	<u>\$12,675,328</u>	<u>\$6,242,129</u>
Tangible equity per issued common share	<u>\$2.74</u>	<u>\$2.33</u>

The accompanying notes to consolidated financial statements are an integral part of this balance sheet.

Consolidated Statement of Retained Earnings

For the year ended December 31, 1973
(with comparative figures for the preceding year)

	1973	1972
BALANCE , beginning of year	<u>\$2,015,393</u>	<u>\$1,140,976</u>
ADD:		
Net income for the year	\$1,549,007	\$ 966,768
Transfer from (to) capital surplus (Note 5)	103,550	(86,450)
	<u>\$1,652,557</u>	<u>\$ 880,318</u>
DEDUCT:		
Write-off of goodwill, net of income tax effect (Note 2)	\$ 581,867	\$ —
Dividends—		
Common shares (13¢ per share, tax-paid)	214,002	—
6% Preferred shares	—	5,901
Tax paid on portion of 1971 undistributed income on hand (Note 6)	85,823	—
	<u>\$ 881,692</u>	<u>\$ 5,901</u>
BALANCE , end of year	<u><u>\$2,786,258</u></u>	<u><u>\$2,015,393</u></u>

The accompanying notes to consolidated financial statements are an integral part of this statement.

Consolidated Statement of Contributed Surplus

For the year ended December 31, 1973
(with comparative figures for the preceding year)

	1973	1972
BALANCE , beginning of year	<u>\$68,774</u>	<u>\$63,303</u>
ADD:		
Excess of issue price over par value of common shares issued under the provisions of the Stock Option Plan (Note 5)	\$12,150	\$ 3,150
Excess of par value of preferred shares purchased over cost of purchases	—	6,194
	<u>\$12,150</u>	<u>\$ 9,344</u>
DEDUCT:		
Premium on redemption of preferred shares	\$ —	\$ 3,873
BALANCE , end of year	<u><u>\$80,924</u></u>	<u><u>\$68,774</u></u>

The accompanying notes to consolidated financial statements are an integral part of this statement.

Consolidated Statement of Changes in Financial Position

For the year ended December 31, 1973
(with comparative figures for the preceding year)

	1973	1972
WORKING CAPITAL , beginning of year	<u>\$2,833,820</u>	<u>\$2,452,439</u>
SOURCE OF FUNDS:		
Operations—		
Net income for the year	\$1,549,007	\$ 966,768
Charges not requiring an outlay of funds—		
Depreciation and amortization	249,328	192,223
Increase in deferred income taxes (Note 1)	49,712	24,023
Write-off of investments	—	27,120
	<u>\$1,848,047</u>	<u>\$1,210,134</u>
Issue of common shares (Note 5)	21,870	5,670
Increase (decrease) in long-term debt (Notes 3 and 4)	1,248,000	(80,000)
	<u>\$3,117,917</u>	<u>\$1,135,804</u>
APPLICATION OF FUNDS:		
Acquisition of businesses during the year (Note 2)	\$3,119,474	\$ —
Less—Net current assets acquired	1,503,257	—
	<u>\$1,616,217</u>	<u>\$ —</u>
Additions to property, plant and equipment, net	242,856	254,583
Dividends—		
Common shares (tax-paid)	214,002	—
6% Preferred shares	—	5,901
Tax paid on portion of 1971 undistributed income on hand (Note 6)	85,823	—
Redemption of 6% preferred shares	—	90,113
Redemption of 1% preferred shares	—	401,761
Other, net	—	2,065
	<u>\$2,158,898</u>	<u>\$ 754,423</u>
Increase in working capital	<u>\$ 959,019</u>	<u>\$ 381,381</u>
WORKING CAPITAL , end of year	<u>\$3,792,839</u>	<u>\$2,833,820</u>

The accompanying notes to consolidated financial statements are an integral part of this statement.

Notes

TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1973

1. SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES

(a) Principles of Consolidation

(i) The financial statements of Canadian Manoir Industries Limited (the "Company") as of December 31, 1973, are consolidated with those of its subsidiaries:

Companies	Divisions
Manufacturing	
Duo-Heet Distributors Limited	Duo-Matic Division of
General Freezer Limited	General Freezer
Ideal ABC Limited	Limited
W. H. Olsen Manufacturing Company Limited	
Trading	
Kates International Corporation Ltd.	Manoir International
Manoir International, Inc.	Division of
Maso Import Ltd.	Canadian Manoir
Mouton Processors Limited	Industries Limited
Service	
Atlas Customs Brokers Limited	Comprehensive Distributors
Eastern Sound Company Limited	Division of Canadian
Teleprint of Chicago, Inc.	Manoir Industries
Teleprint of Los Angeles, Inc.	Limited
Teleprint of New York, Inc.	

(ii) Translation of the accounts of U.S. subsidiaries both during the year and at December 31, 1973, was made at par.

(b) Depreciation and Amortization

Provisions for depreciation are determined on either the straight-line basis or declining balance basis over the expected average useful lives of the asset groups. Leasehold improvements are amortized on a straight-line basis over the terms of their respective leases.

(c) Acquisitions

Acquisitions have been accounted for by the purchase method of accounting. Goodwill, the excess cost over the fair value, as determined by the Directors, of the net tangible assets of a subsidiary acquired is charged to Retained Earnings in the year that the subsidiary is acquired.

(d) Income Taxes

The Company provides for taxes on the basis of accounting income and timing differences between accounting income and taxable income are reflected in Deferred Income Taxes. The Company accrues for withholding tax on foreign income as earned.

(e) Earnings per Share

The earnings per share calculations are based on the weighted average of common shares outstanding at the end of each month during the year. The dilutive effect on earnings per share of stock options outstanding is not material.

2. ACQUISITIONS

Effective July 1, 1973, General Freezer Limited, a wholly-owned subsidiary of the Company, acquired the net assets, goodwill and

operations of the Duo-Matic Division of Algonquin Building Credits Limited. At the same time, the Company acquired all of the outstanding shares of Duo-Heet Distributors Limited and Ideal ABC Limited.

Effective September 1, 1973, the Company acquired all of the outstanding shares of W. H. Olsen Manufacturing Company Limited. These enterprises manufacture and distribute various types of heating and cooling equipment.

The Company and its subsidiary paid cash for the acquisitions and have accounted for the acquisitions by the purchase method of accounting as follows:

Fair value of net tangible assets as of dates of acquisitions	\$1,738,907
Goodwill	700,567
Purchase of debt due from W. H. Olsen Manufacturing Company Limited to former parent	680,000
Total cost	<u>\$3,119,474</u>

Goodwill, net of applicable income taxes, has been charged to Retained Earnings.

3. BANK ADVANCES

The Company's operating line of credit of \$3,750,000 and its long-term bank loans are secured by certain accounts receivable and inventories.

As additional security for the operating line of credit and long-term bank loans, the Company has agreed to give the bank a first floating charge debenture of \$6,000,000 covering all assets and property of the Company and its subsidiaries and has further agreed not to hypothecate the property, plant and equipment of the Company and its subsidiaries without formal approval of the bank.

4. LONG-TERM DEBT

Payable by the Company:

Bank loans—	
Bearing interest at 11½% in excess of prime bank rate, repayable in quarterly instalments of \$88,000	\$1,672,000
Bearing interest at 1¼% in excess of prime bank rate, repayable in quarterly instalments of \$12,000	228,000
	<u>\$1,900,000</u>

Payable by a Subsidiary:

8.9% Loan from Industrial Development Bank, payable in monthly instalments of \$2,000 plus interest, due 1978	100,000
	<u>\$2,000,000</u>

Less—Current portion payable within one year	424,000
	<u>\$1,576,000</u>

The loan from the Industrial Development Bank is secured by certain assets of a subsidiary.

5. CAPITAL STOCK

(a) 6% Preferred Shares

Pursuant to Supplementary Letters Patent dated April 30, 1973, the remaining authorized 6% preferred shares were reduced by 10,355 shares either previously purchased for cancellation or redeemed. Capital Surplus of \$103,550 was returned to Retained Earnings.

(b) Stock Options

As of December 31, 1973, 23,100 common shares (15,600 at \$2.25 per share and 7,500 at \$3.60 per share) were reserved under stock option plans for certain officers and employees of the Company and its subsidiaries. During 1973, 9,720 optioned shares were issued for a cash consideration of \$21,870. A total of 3,360 optioned shares were cancelled, and in February, 1973, options were granted to employees to purchase 4,000 common shares at a price of \$3.60 per share. When options are exercised, amounts received in excess of the par value of the common shares are credited to Contributed Surplus.

6. REORGANIZATION

In March, 1973, as part of an internal reorganization, the Company assumed the assets, liabilities and operations of Syndicated Film Services Limited and Comprehensive Distributors Limited whose charters are currently being surrendered. In connection with the liquidation of the two companies a 15% tax was paid on the companies' 1971 undistributed income on hand. The 15% tax has been charged to Retained Earnings.

7. REVENUE

Consolidated revenue is divided in the following proportions:

Manufacturing	44%
Trading	44
Service	12
	<u>100%</u>

8. STATUTORY INFORMATION

The following items have been deducted in calculating income before provision for income taxes:

Interest:	
Long-term debt	\$82,869
Other, net	11,278
	<u>\$94,147</u>

Remuneration of Directors and Officers:

As Directors		As Officers	
Number	Remuneration	Number	Remuneration
5	\$3,600	3	\$60,115

Two Officers were also Directors of the Company.

**DIRECTORS**

T. H. Baker Toronto
S. G. Bickley Montreal
Pat Clever Toronto
G. Grahamslaw Toronto
D. L. Sinclair Toronto

OFFICERS

Pat Clever President
G. D. Scroggie Secretary
G. Grahamslaw Treasurer

BANKERS

Toronto Dominion Bank Toronto
Chase Manhattan Bank New York

REGISTRAR

Canada Permanent Trust Company Toronto

TRANSFER AGENT

Canada Permanent Trust Company Toronto

LAWYERS

Fraser & Beatty Toronto
Byers, Casgrain & Stewart Montreal
Guggenheimer & Untermeyer New York

AUDITORS

Arthur Andersen & Co. Toronto

SHARE LISTING

The common shares of the Company are listed on the Toronto Stock Exchange.

